Companies: valuation of annual and consolidated accounts, financial information (amend. Directives 78/660/EEC, 83/349/EEC)

2000/0043(COD) - 15/05/2001 - Text adopted by Parliament, 1st reading/single reading

The European Parliament endorsed the report by Lord INGLEWOOD (EPP/ED, UK) on amending Directives 78/660/EEC and 83/349/EEC as regards the valuation rules for the annual and consolidated accounts of certain types of companies. (Please refer to the prvious text). The House voted to include banks and other financial institutions as these are among the most frequent users of derivative financial instruments. The application of fair value of them will foster market transparency and market discipline. The amendments, while broadly endorsing the Commisson's proposals, aim to clarify and improve the wording of the text and also make a number of substantive changes to it. The amendments also seek to clarify which categories of company, as well as which financial instruments and commodity based contracts, fair value accounting should be applied to. The purpose of the proposal is to bring EU legislation into line with the new International Accounting Standards (IAS). In order to take account of the widespread use of derivative financial instruments such as futures, options, forward contracst and swaps, the IAS have moved away from the 'historical cost' valuation model on which the existing directives are based ("historical cost" being the price actually paid for an asset or liability) towards "fair value accounting" (where an item is valued at today's market value).